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SUBJECT: TURKEY-IRAN BUSINESS COUNCIL SEEKS EXPANDED TRADE  
TIES WITH IRAN

Classified By: Deputy Principal Officer Sandra Oudkirk;  
Reason 1.5 (d)

¶1. (C) Summary. Turkey-Iran Business Council Chairman Ali Osman Ulusoy on January 23 called for expanded commercial ties between Turkey and Iran, arguing such ties promote economic reform inside Iran. Last month he chaired a meeting in Istanbul with the President of the Iranian Chamber of Commerce and plans to send a follow-up delegation led by the President of Turkey's Chambers of Commerce to a March 10-11 meeting in Tehran. We warned Ulusoy about the tightening international sanctions regime against Iran and the need for vigilance by Turkish companies regarding cooperation with economic sectors in Iran controlled by the regime. Ulusoy replied that 90% of bilateral economic cooperation was in the form of hydrocarbon imports from Iran, a sector his business council is not involved in promoting. While Ulusoy was vague when asked for examples of specific commercial deals upcoming between Turkey and Iran, a business council staffer afterwards promised to share details on pending deals and about the March meeting in Tehran. Comment: As a businessman first, Ulusoy is more interested in promoting Turkish businesses in and exports to Iran, rather than Iranian exports to Turkey. Helping reform the Iranian economy is a secondary motive for him compared to making export profits. That said, we will stay in contact with his staff to try to persuade the Council to be more vocal in its dealing with Iranian businesses about the need for more economic transparency and reform in Iran. End summary.

¶2. (C) Consulate General Istanbul's Iran Watcher on January 24 met with Ali Osman Ulusoy, Chairman of the Turkey-Iran Business Council, to request a readout of the Council's December meeting in Istanbul with a visiting Iranian Chamber of Commerce delegation, and to sound him out on future plans to promote trade ties with Iran. Ulusoy was joined by Business Council members Riza Eser (a Turkish citizen born in Iran) and Business Council coordinator Akin Diblan.

¶3. (C) Ulusoy confirmed press reports that the Turkey-Iran Business Council hosted an Iranian delegation in Istanbul on December 10 led by Mohammed Navandian, Chairman of the Iran Chamber of Commerce, Industry, and Mines. Ulusoy avoided answering questions about specific commercial deals discussed at that meeting, but did confirm that a follow-up meeting will be held in Tehran March 10-11, led on the Turkish side by President of Turkey's Chambers of Commerce and Commodities Exchange, Rifat Hisarciklioglu. After the meeting, Business Council coordinator Diblan (please protect) approached us and offered to share more details about pending commercial deals brokered by the Council, and about specific plans for the March meeting in Tehran. Post will follow up with Diblan and share this information when received.

¶4. (C) Ulusoy insisted that the Business Council's cooperation with Iran is only commercial, not political. Participation by Turkish businesses in the Business Council is voluntary, and many Turkish companies with business in Iran are not members. Ulusoy characterized Turkey's commercial relations with Iran as "slowly developing and improving, but not satisfactory." We explained to Ulusoy the tightening international sanctions regime against Iran, including the P5+1 agreement on elements for a third UNSCR Chapter VII resolution. We warned of the need for vigilance by Turkish companies pursuing deals in Iran, particularly in key economic sectors in Iran controlled by the Iranian regime such as the hydrocarbon and banking sectors.

¶5. (C) Ulusoy replied that 90% of bilateral economic cooperation was in the form of hydrocarbon imports from Iran, cooperation his business council is not actively involved in promoting. Instead, he said his council's focus is on promoting Turkish trade and exports to Iran, including textiles, food and other agricultural products (e.g., tobacco), consumer electronics, cars, and furniture/housing material. According to the Turkish Foreign Exchange Relations Board (DEIK) website ([www.deik.org.tr](http://www.deik.org.tr)), in 2006 Turkey exported 1.05 billion dollars of goods to Iran and imported 5.623 billion dollars, a total trade volume of 6.68 billion dollars, representing a significant increase over 2004-5 especially on the import side.

¶6. (C) Brushing aside the statistics, Ulusoy asserted that closer commercial ties between Turkey and Iran, and especially a deeper Turkish commercial presence in Iran, will help promote positive changes -- such as privatization, tariff reduction, financial transparency, and other economic reforms -- within the Iranian economy and Iranian society. "There are many problems that politicians and diplomats

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cannot solve, that businessmen can." He expressed frustration at "tightening restrictions" placed by the GOT on commercial cooperation with Iran, as a result of the international sanctions against Iran. "Turkey's companies are complying with sanctions against Iran more than companies from most other countries, which it is hurting our exports and preventing us from wielding more positive influence in Iran."

¶7. (C) Ulusoy several times highlighted his "60 years of experience dealing with Iran" as teaching him that direct negotiations with Iran, rather than economic pressure or military force, is the only way of facilitating real change there, and urged the USG to consider offering such dialogue with Iran without preconditions. Poloff explained that Secretary Rice has offered to meet her Iranian counterpart

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anytime, anywhere, provided Iran complies with the UNSCR Chapter VII obligation to suspend its enrichment program. Ulusoy predicted Iran would never take that step under its current Supreme Leader or President.

¶8. (C) Comment: As a Turkish businessman first and foremost, Ulusoy's primary goal is promoting Turkish business in and exports to Iran, rather than promoting Iranian exports to Turkey. Though Ulusoy several times highlighted the "transformative aspects" of Turkish business expansion in Iran, this point was clearly intended primarily to satisfy a skeptical USG interlocutor, and was of secondary importance to Ulusoy compared to the goal of expanding exports to -- and thus profits from -- Turkey's largest neighbor. The fact that hydrocarbon imports to Turkey make up over 85% of the total bilateral trade volume, and that Turkey's ability to export to Iran is increasingly constrained by what Ulusoy characterized as the GOT's desire to adhere carefully to UNSCR requirements, suggests the Turkey-Iran Business Council may have only marginal influence over the bilateral trade relationship. That said, we will stay in contact with his

staff to learn more about specific pending trade deals and to try to persuade the Council to be more vocal in its dealing with Iranian businesses about the need for more economic transparency and reform in Iran. End Summary.

WIENER